



**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

22 December 1, 2015

*Patrick Ozawa*  
PATRICK OZAWA  
ACTING EXECUTIVE OFFICER

Los Angeles County  
Board of Supervisors

Hilda L. Solis  
First District

Mark Ridley-Thomas  
Second District

Sheila Kuehl  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

December 01, 2015

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 5 TO AGREEMENT NO. H-7044447  
WITH GLOBAL HEALTHCARE EXCHANGE LLC FOR SUPPLY CHAIN  
PROCUREMENT AND DATA MANAGEMENT SERVICES  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATION ( )  
DISAPPROVE ( )**

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Los Angeles, CA 90012

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[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

*To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.*

**SUBJECT**

Request approval of Amendment No. 5 to the existing Agreement No. H-7044447 with Global Healthcare Exchange LLC for supply chain procurement and data management services at Department of Health Services (DHS or Department) facilities to extend the term, amend the statement of work, and increase the maximum agreement sum by \$3,112,390.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 5 (Amendment) to Agreement No. H-7044447 (Agreement) with Global Healthcare Exchange LLC (GHX), to: (1) extend the Agreement term for a maximum of five additional one-year periods through December 31, 2020, for the continued use of supply chain procurement and data management software and services, with an increase of \$3,112,390, which includes \$1,470,410 in pool dollars, to the maximum agreement sum for



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the extended term; and (2) expand the statement of work for additional software modules and services and acquire optional work deliverables and services in the form of additional software, professional services, and training, as needed.

2. Delegate authority to the Director, or his designee, to effectuate actions related to renewal terms, and to execute future amendments and change notices to: (1) add, delete, and/or change non-substantive terms and conditions in the Agreement, and/or make any necessary changes as required by applicable laws; (2) modify the statement of work to reflect County standards and needs, reduce scope, and add/remove County facilities; (3) approve additional operational and administrative workflow changes, including modifications to DHS protocols and policies reflected in the Agreement and scope of work; and (4) expend pool dollars for optional work as described in the Agreement, with all actions subject to the review and approval of County Counsel.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

### Background

GHX is a business exchange consisting of healthcare providers and healthcare product vendors. GHX's core members consist of University HealthSystem Consortium (UHC) members, one of which is DHS. GHX provides health care supply chain automation solutions that maintain updated procurement data on medical supplies, assist members with developing and maintaining a standardized and efficient supply formulary for medical supplies, ensure controls to comply with these formularies, reconcile and cleanse purchasing data for consistency and completeness, and host established vendor agreements and pricing to automate the reconciliation of purchases to the GPO contract catalog.

The Board authorized DHS to join UHC, a not-for-profit member alliance of approximately 120 academic health centers, and its GPO, Novation, on November 18, 1997. Through its UHC membership, DHS can access UHC agreements as an alternative to conducting County solicitations. Furthermore, as a UHC member, the Department benefits from economies of scale realized from group discounts for all medical supplies covered under UHC-established vendor contracts.

### Current Agreement

Under the current Agreement, GHX has implemented the following proprietary solutions to manage, streamline and maximize efficiency and automation of supply chain transactions throughout the DHS enterprise for the purchase of medical commodities critical to timely patient care: a requisitioning module (Procurement Suite), data cleansing module (NuVia), purchasing contract management module (Contract Center) and its business exchange module to electronically send purchase orders (PO) and receive PO status (MyExchange). In addition, GHX's software suite interfaces with the County's eCAPS eProcurement and eInventory modules. The interface substantially reduces PO processing times by prepopulating eCAPS with 95% of the required data fields.

### Recommendations

The first recommendation will allow the Director, or his designee, to execute an Amendment, substantially similar to Exhibit I, with GHX to extend the current Agreement that will expire on December 31, 2015, for the continued use of supply chain procurement and data management

software and services.

Moreover, approval of the first recommendation will expand the statement of work to allow the County to implement additional software modules and services and acquire optional work deliverables and services, including but not limited to additional software, professional services, such as consulting, and training, as needed. The additional software modules and servers would further integrate with the existing GHX platforms and leverage existing technology to streamline labor-intensive processes such as vendor management and vendor credentialing functions. Other modules include OnDemand AP, which increases accounts payable efficiency by reducing invoice discrepancies, matches POs to invoices and increases touchless invoice processing; Provider Intelligence, which is a web-based reporting application that will allow DHS to review key performance indicators (“KPIs”) based on PO transaction data; and Compliance Document Manager, which is a cloud based service platform that collects, screens, and monitors the characteristics of the compliance relationship between DHS and its vendors. The Amendment will also allow DHS to obtain additional consulting services in a timely manner to identify and leverage operational efficiencies alongside the implementations of the aforementioned modules.

Approval of the second recommendation will allow the Director, or his designee, to amend the Agreement to implement modifications to the Agreement and statement of work in accordance with the Agreement’s terms and conditions, to expend pool dollars to obtain optional work in the form of professional services and training, and to perform administrative contractual changes to the Agreement as required by applicable law, and as required by the Board or Chief Executive Office. The second recommendation will delegate authority to the Director, or his designee, to authorize actions related to renewal terms, including the transmittal of written notice to GHX of the County’s intent not to exercise renewal terms as described in the Agreement.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 1, Operational Effectiveness/Fiscal Sustainability, and Goal 3, Integrated Services Delivery of the County’s Strategic Plan.

### **FISCAL IMPACT/FINANCING**

The total maximum agreement sum to GHX under the Agreement will be increased by \$3,112,390 from \$2,243,815 to \$5,356,205 for the agreement period ending on December 31, 2020.

Funding is included in the DHS Fiscal Year (FY) 2015-16 Final Budget, and will be requested in future fiscal years.

The Agreement’s costs will be entirely offset by Patron Equity Credits (PECs). Whenever the Department purchases commodities through its UHC group purchasing agreements, it accrues PECs which can be utilized to purchase additional services from UHC and GHX. Some of these additional services include Safety Intelligence, UHC’s patient safety system and GHX’s software solutions.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On September 21, 2010, the Board approved a Sole Source Agreement with GHX for supply chain procurement and data management services for an initial term through June 30, 2013. The Agreement included the GHX boilerplate user agreement, concurrently approved by the Board,

which encompasses key information technology terms and conditions such as licensing, intellectual property considerations, security, and confidentiality. GHX's services maximize DHS' supply chain results with the following: development of a standardized supply formulary; implementation of controls to ensure compliance with the established formulary; reconciliation and cleansing of purchasing data for consistency and completeness; and hosting of established UHC supplier agreements. Subsequent amendments extended the Agreement term to December 31, 2015.

During the negotiation process, GHX requested several modifications to the Agreement, including removal of the County's right to terminate for convenience and revision of the County's acceptance parameters for deliverables and services, toward a vendor-driven acceptance process. These constitute the Amendment's most consequential revisions.

County Counsel has reviewed and approved the Amendment (Exhibit I) as to form. The Chief Information Officer concurs with the Department's recommendation and the CIO Analysis is attached as Attachment A.

### **CONTRACTING PROCESS**

UHC initially selected GHX as its vendor for supply chain management services through its competitive bid process. Consequently, GHX is the only such firm to be integrated with UHC's GPO, Novation. The Board approved a Sole Source Agreement with GHX on September 21, 2010. Under the current Agreement, GHX implemented its proprietary supply chain procurement and data management software and services. Subsequent amendments expanded the statement of work for additional services, and extended the Agreement term.

On September 28, 2015, the Department advised the Board of its intent to extend this Sole Source Agreement, in accordance with the revised Board Policy No. 5.100, Sole Source Contracts (Attachment B).

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendations will enable the Department to continue supply chain automation at all DHS facilities.

Respectfully submitted,



Mitchell H. Katz, M.D.  
Director

MHK:RS:jl

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

Reviewed by:



RICHARD SANCHEZ  
Chief Information Officer



RICHARD SANCHEZ  
CHIEF INFORMATION OFFICER

Office of the CIO  
**CIO Analysis**

NUMBER:

**CA 15-20**

DATE:

11/13/15

SUBJECT:

**APPROVAL OF AMENDMENT NO. 5 TO AGREEMENT NO. H-704447 WITH GLOBAL HEALTHCARE EXCHANGE LLC FOR SUPPLY CHAIN PROCUREMENT AND DATA MANAGEMENT SERVICES**

RECOMMENDATION:

 Approve Approve with Modification Disapprove

CONTRACT TYPE:

 New Contract Sole Source Amendment to Contract #: H-704447 Other: Describe contract type.

CONTRACT COMPONENTS:

 Software Hardware Telecommunications Professional Services

SUMMARY:

Department Executive Sponsor: Mitchell H. Katz, M.D.

Description:

1. Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 5 to Agreement No. H-704447 with Global Healthcare Exchange LLC (GHX), to: (1) extend the Agreement term for a maximum of five additional one-year periods through December 31, 2020 with an increase of \$3,112,390, which includes \$1,470,410 in pool dollars; and (2) expand the statement of work for additional software modules and services, as needed.
2. Delegate authority to the Director to execute future amendments and change notices, to change non-substantive terms and conditions, modify the statement of work, approve additional operational and administrative workflow changes, and expend pool dollars.

Contract Amount: \$3,112,390

Funding Source: DHS Final Budget Fiscal Year (FY) 2015-16

 Legislative or Regulatory Mandate Subvented/Grant Funded: 100 %

\* See footnote in the Financial Analysis section.

**Strategic and  
Business  
Analysis**

**PROJECT GOALS AND OBJECTIVES:**

To align with the department's goal to reduce cost and improve efficiency of ordering crucial medical supplies using a standard formulary. GHX has been instrumental in streamlining the supply chain for DHS and its interface into the County eCAPS system. This amendment will extend the terms of the existing agreement and add five additional modules to help with vendor management and compliance, and processing invoices electronically.

**BUSINESS DRIVERS:**

The key business drivers for the project are:

1. **Operational Efficiency:** The solution uses a standard formulary and a single system to order medical and non-medical supplies, which has already improved the efficiency of operation. Additionally, the new GHX modules will further improve operational efficiencies.

	<p>2. <b>Cost Reduction:</b> This solution also reduces the cost by using standardized formulary with discounted prices. The tools and modules asked for in this amendment will further accentuate cost reductions via risk reduction intelligent reporting, electronic invoicing, etc.</p> <hr/> <p><b>PROJECT ORGANIZATION:</b> Gary D. McMann, Chief of Supply Chain Operations, is the Project Executive Sponsor. Mauricio Aguilar, Director of Supply Chain Information Systems, is the Project Director.</p> <hr/> <p><b>PERFORMANCE METRICS:</b> This system enhancement will assist DHS in receiving effective reimbursement by reporting accurate financial data. The overall process is expected to be streamlined.</p> <hr/> <p><b>STRATEGIC AND BUSINESS ALIGNMENT:</b> The project supports the County’s Strategic Plan Goal 1, Operational Effectiveness/Fiscal Sustainability, and Goal 3, Integrated Services Delivery of the County’s Strategic Plan.</p> <hr/> <p><b>PROJECT APPROACH:</b> Mauricio Aguilar, Director of Supply Chain Information Systems will be the Project Director who will provide the appropriate planning and guidance to ensure the application modules are fully tested before user acceptance.</p> <hr/> <p><b>ALTERNATIVES ANALYZED:</b> This is an amendment to an existing agreement. No alternative was considered.</p>
<p><b>Technical Analysis</b></p>	<p><b>ANALYSIS OF PROPOSED IT SOLUTION:</b></p> <p><b>Application and Functionality:</b></p> <ol style="list-style-type: none"> <li>1. OnDemand AP – Allows you to process invoices electronically, leading to lower costs, improved efficiency and faster processing.</li> <li>2. Provider Intelligence – Uses interactive graphs and charting tools to visually represent key performance indicators, which will help DHS better prioritize supply chain efforts and initiatives.</li> <li>3. Vendor Manager – Provides visibility into current and potential vendors for in-house efficiency and increased U.S. Health and Human Services compliance, as monitored by the Office of Inspector General.</li> <li>4. Compliance Document Manager - Positions DHS to assess HIPAA-defined business associate risks across all current and potential vendors.</li> <li>5. Vendor Credentialing - Helps manage vendors and their representatives to meet DHS goals for patient safety, regulatory compliance, internal controls and facility access requirements.</li> </ol> <p><b>Software:</b> All GHX modules are cloud-based applications built using Java technologies.</p> <p><b>Infrastructure:</b> GHX utilizes a hybrid data center architecture consisting of both Tier 3 co-location and Amazon Web Services, a cloud-based hosting provider, to help meet its service availability goals. All GHX and Vendormate data center locations are US-based.</p>

<b>Financial Analysis</b>	<b>BUDGET:</b>	
	<b>Agreement costs (thru Amendment No. 4):</b>	
	<b>One-time costs:</b>	
	Calendar Year (CY) 2010 –2015	
	Services (Integration for implemented modules):	
	MetaTrade:	\$10,400
	Nuvia:	\$119,800
	Procurement Suite:	\$290,000 [1]
	Business Solutions (PRA):	\$110,000
	Optional services:	\$497,415 [2]
	<b>Ongoing costs:</b>	
	CY 2010–2015	
	Services (Subscription for implemented modules):	
	Connect Plus:	\$120,000
	Contract Center:	\$109,200
	MetaTrade:	\$46,800
	Nuvia:	\$475,200
	Procurement Suite:	\$465,000
	<b>Total cost through (9/21/10 – 12/31/15):</b>	<b>\$2,243,815</b>
	<b>Agreement costs (Amendment No. 5):</b>	
	<b>One-time costs:</b>	
CY 2016 – 2020		
Services (Integration for additional modules):		
Vendor Manager:	\$23,000	
Vendor Credentialing:	\$16,000	
Compliance Document Manager:	\$22,000	
(Consulting for additional modules):		
Compliance Document Manager:	\$103,625	
Travel:	\$15,000	
<b>Total one-time costs:</b>	<b>\$179,625</b>	
<b>Ongoing costs:</b>		
CY 2016 – 2020		
Services (Subscription for implemented modules):		
Connect Plus:	\$142,750	
Contract Center:	\$130,000	
MetaTrade:	\$52,000	
Nuvia:	\$501,285	
Procurement Suite:	\$522,750	
(Subscription for additional modules):		
Vendor Manager:	\$298,380	
Provider Intelligence:	\$46,415	
Compliance Document Manager:	\$198,920	
<b>Total on-going costs:</b>	<b>\$1,892,500</b>	
Pool Dollars:	\$1,470,410 [3]	
<b>Total Amendment No. 5 cost (1/1/16 – 12/31/20):</b>	<b>\$3,542,535</b>	
<b>Adjusted Total Amendment No. 5 cost:</b>	<b>\$3,112,390 [4]</b>	
<b>Total cost of contract (9/21/10 – 12/31/20):</b>	<b>\$5,356,205 [5]</b>	

	<p><b>*FOOTNOTES:</b></p> <ol style="list-style-type: none"> <li>1. Includes implementation and custom interface services for Procurement Suite.</li> <li>2. Includes additional post-implementation development, contingency work, and PRA/contract monthly support.</li> <li>3. Pool Dollars for optional work include additional post-implementation development, consulting services, and OnDemand AP Summit implementation and subscription.</li> <li>4. Request to Board reflects \$430,145 in unspent Board-approved funding.</li> <li>5. Based on DHS' existing volume of purchases, it receives Patron Equity Credits (PECs) from the University HealthSystem Consortium. The Agreement's costs will be entirely offset by PECs.</li> </ol>
<p><b>Risk Analysis</b></p>	<p><b>RISK MITIGATION:</b></p> <ol style="list-style-type: none"> <li>1. DHS Department Information Security Officer reviewed the contract and is satisfied with the security and privacy provisions.</li> <li>2. The Chief Information Security Officer reviewed the Contract Amendment and did not identify any IT security or privacy related issues.</li> </ol>
<p><b>CIO Approval</b></p>	<p><b>PREPARED BY:</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;">   <hr style="width: 100%;"/> <p>Sanmay Mukhopadhyay, Sr. Associate CIO</p> </div> <div style="text-align: center;"> <p>11-18-15</p> <hr style="width: 100%;"/> <p>Date</p> </div> </div> <p><b>APPROVED:</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;">   <hr style="width: 100%;"/> <p>Richard Sanchez, County Chief Information Officer</p> </div> <div style="text-align: center;"> <p>11-18-15</p> <hr style="width: 100%;"/> <p>Date</p> </div> </div>

Please contact the Office of the CIO (213.253.5600 or [info@cio.lacounty.gov](mailto:info@cio.lacounty.gov)) for questions concerning this CIO Analysis. This document is also available online at <http://ciointranet.lacounty.gov/>

**ATTACHMENT B**



September 28, 2015

Los Angeles County  
Board of Supervisors

Hilda L. Solis  
First District

Mark Ridley-Thomas  
Second District

Sheila Kuehl  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

TO: Mayor Michael D. Antonovich  
Supervisor Hilda Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D.  
Director

SUBJECT: **ADVANCE NOTIFICATION OF INTENT TO EXTEND  
SOLE SOURCE AGREEMENT NO. H-704447 WITH  
GLOBAL HEALTHCARE EXCHANGE LLC**

Mitchell H. Katz, M.D.  
Director

Hal F. Yee, Jr., M.D., Ph.D.  
Chief Medical Officer

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
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[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

This is to advise the Board that in two months' time, the Department of Health Services (DHS or Department) intends to return to the Board to request approval of an extension to the existing Sole Source Agreement No. H-704447 (Agreement) with Global Healthcare Exchange LLC (GHX) for the ongoing provision of software and services to support DHS' Group Purchasing Organization (GPO) supply chain initiatives. Board Policy No. 5.100 requires written notice of a department's intent to enter into sole source negotiations for extension of a Board-approved Agreement at least six months prior to the Agreement's expiration date. DHS will exhaust its delegation of authority to extend the Agreement on December 31, 2015.

*To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.*

However, because the Board adopted the revised policy on August 4, 2015, the Department is unable to meet the policy's notification timeframe for this particular extension. In order to ensure no break in services, DHS has begun preliminary discussions with GHX regarding the Agreement extension.

Under the current Agreement, GHX has implemented its proprietary supply chain procurement and data management software and services for the DHS enterprise, including the interfacing of GHX Procurement Suite with the County's electronic Countywide Accounting and Purchasing System (eCAPS) eProcurement and eInventory systems. GHX has also facilitated the Department's migration from the Hospital Material Management System (HMMS), a legacy system first developed in the 1970s, to eCAPS.

Background



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GHX is a business exchange consisting of healthcare providers and healthcare product vendors. GHX's core members include members of the University HealthSystem Consortium (UHC) , one of which is DHS. GHX provides health care supply chain automation solutions that maintain updated procurement data on medical supplies, assist members with developing and maintaining a standardized and efficient supply formulary for medical supplies, ensure controls for compliance with these formularies, reconcile and cleanse purchasing data for consistency and completeness, and host established vendor agreements and pricing to automate the reconciliation of purchases to the GPO contract catalog.

On November 18, 1997, the Board authorized DHS to join UHC, a nonprofit member alliance of approximately 120 academic health centers, and its GPO. Through its UHC membership, DHS can access UHC agreements as an alternative to conducting County solicitations. UHC selected GHX as its vendor for supply chain management services through UHC's competitive bid process. Furthermore, as a UHC member, the Department benefits from economies of scale realized from group discounts for all medical supplies covered under UHC-established vendor contracts.

The Board approved the current Agreement with GHX on September 21, 2010 for the provision of supply chain procurement and data management software and services. On July 30, 2013, the Board approved Amendment No. 3 to expand the Agreement's statement of work for additional services and to increase the Agreement sum by \$309,000 for a total maximum agreement sum of \$2,243,815. GHX provides several proprietary solutions to DHS under the Agreement, including the requisitioning module (Procurement Suite), data cleansing module (NuVia), purchasing contract management module (Contract Center) and its business exchange module to electronically send purchase orders (POs) and receive PO status (MyExchange).

The Agreement's costs are entirely offset by Patron Equity Credits (PECs). Whenever the Department purchases commodities through its UHC membership, it accrues PECs which can be utilized to purchase additional services from UHC and GHX. Some of these additional services include UHC's patient safety system (Safety Intelligence) and GHX's software solutions (Procurement Suite, NuVia, Contract Center, and MyExchange).

#### Justification

DHS is recommending an extension to the Agreement because GHX is the only company that focuses on healthcare supply chain data management in the United States. GHX is also the only company to be integrated with UHC's GPO, Novation. GHX receives a daily feed from Novation of contracted pricing unique to each member and matches the price to the products purchased through the exchange. This validation ensures that Novation contract pricing is honored during the procurement process. Also, the GHX-eCAPS interface pre-populates eCAPS with 95% of the data fields required to process a PO, which decreases processing times significantly. By extending its contract with GHX, DHS will maintain its existing cost savings, continue to leverage its purchasing power, and effectively manage the supply chain.

The Department has also devoted significant resources to interface eCAPS with GHX to ensure the Department's compliance with County purchasing standards, while enabling DHS to remain aligned with the healthcare industry's standard practices and requirements. Furthermore, DHS recently collaborated with the Internal Services Department (ISD) to develop the Department's first Item Master System and with the Board approval of Amendment No. 3 devoted significant resources to GHX to develop an interface between the DHS Item Master System and GHX NuVia.

The extension of the Agreement with GHX will enable the Department to:

- Maximize automation of DHS supply chain processes by capitalizing the use of electronic transactions and reduction of redundant and manual labor-intensive interventions;
- Streamline the Department's high volume processing of invoices and POs;
- Ensure compliance by implementing controls and standards, including item and pricing controls, item categorization and standardization, and the improved monitoring of related purchasing and payments;
- Manage an updated supply formulary and vendor contracts for DHS commodities;
- Access the Department's purchasing history and necessary data to make informed data-driven decisions in supply chain management; and
- Provide DHS with the necessary software to develop a standardized supply formulary across all DHS facilities.

The proposed extension to the Agreement meets the following sole source criteria:

- Additional services are needed to complete an ongoing task and it would be prohibitively costly in time and money to seek a new service provider.
- GHX is the only service provider that is fully integrated with UHC's GPO, Novation, through which DHS is able to realize regular cost savings on Departmental purchase of commodities.

DHS has spent five years implementing eProcurement (i.e., GHX software modules and County eCAPS eProcurement and eInventory modules) throughout its facilities. It has completed implementation at Olive View-UCLA Medical Center, High Desert Regional Health Center and Health Services Administration. Nearly 1,100 users actively use eProcurement at these three facilities. Martin Luther King, Jr. Health Center is scheduled to go live in the first half of 2016, Harbor-UCLA Medical Center in the second half of 2016, and Rancho Los Amigos National Rehabilitation Center and LAC+USC Medical Center in 2017.

If this Agreement is not extended, DHS will lose access to software and services that are essential to purchasing medical commodities. The resulting loss of gained efficiencies will require massive manual intervention by DHS employees. It would hamper efforts to provide patient care, as the implemented facilities would be forced to revert to paper-based requisitions which would create internal backlogs. Moreover, DHS would be unable to complete the eProcurement implementation project. DHS will also be required to select

Each Supervisor  
September 28, 2015  
Page 4

and engage a new vendor to develop an interface with eCAPS, as well as both a new interface between the DHS Item Master on the requisitioning solution and a new interface for vendors. DHS currently conducts business with vendors via electronic data interchange (EDI), using the GHX Business Exchange (MyExchange).

Moreover, DHS and ISD have worked together to develop several systems that all revolve around custom-developed interfaces with GHX, including a Procurement Item Master System, Inventory Replenishment System and Low Unit of Measure Information Systems. As such, it would be prohibitively costly in time and money to select and engage a new contractor to complete the eProcurement implementation throughout the DHS enterprise. In order to meet the County's unique purchasing requirements, DHS has made many ongoing software enhancements and interface modifications to integrate GHX and eCAPS.

DHS will continue to proceed with the sole source negotiations on the agreement extension with GHX within two weeks from the date of this memo unless the Department is instructed otherwise by the Board.

If you have any questions, please let me know.

MHK:jl

c: Chief Executive Office  
Executive Office, Board of Supervisors  
County Counsel  
Chief Information Office

REVIEWED BY:

  
\_\_\_\_\_  
Richard Sanchez  
Chief Information Officer

  
\_\_\_\_\_  
Date

**EXHIBIT I**

AGREEMENT  
BY AND BETWEEN  
COUNTY OF LOS ANGELES  
AND  
GLOBAL HEALTHCARE EXCHANGE LLC  
FOR  
SERVICES

Amendment No. 5

THIS AMENDMENT is made and entered into this \_\_\_ day of December, 2015,

By and between COUNTY OF LOS ANGELES  
(hereafter "County"),

and GLOBAL HEALTHCARE EXCHANGE LLC  
(hereafter "Contractor")  
Business Address:  
1315 West Century Drive  
Louisville, CO 80027

WHEREAS, reference is made to that certain document entitled "Agreement by and between County of Los Angeles and Global Healthcare Exchange LLC for Services," dated September 21, 2010, and further identified as Agreement No. H-704447, and any amendments thereto (all hereafter referred to as "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to extend its term, to expand the statement of work, to increase the Agreement amount by \$3,112,390, not to exceed the maximum agreement sum of \$5,356,205, to update certain terms and conditions to the Agreement, and to provide for the other changes set forth herein; and

WHEREAS, Agreement provides that changes in accordance to Paragraph 8.1, Amendments, may be made in the form of an Amendment which is formally approved and executed by the parties; and

WHEREAS, Contractor warrants that it possesses the competence, expertise and personnel necessary to provide services consistent with the requirements of this Agreement and consistent with the professional standard of care for these services.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall commence and be effective upon execution by both parties.
2. Agreement, Paragraph 2.0, DEFINITIONS, is amended to add 2.13, Optional Work, as follows:

“2.13 Optional Work:

New software and/or Professional Services, which may be provided by Contractor to County upon County’s request and mutual agreement in accordance with Sub-paragraph 3.3, Optional Work.”

3. Agreement, Paragraph 2.0, DEFINITIONS, is amended to add 2.14, Pool Dollars, as follows:

“2.14 Pool Dollars:

Absent an Amendment in accordance with Sub-Paragraph 8.1, Change Notices and Amendments, the maximum amount, allocated under this Agreement for the provision by Contractor of Optional Work, including new software and/or Professional Services, approved by County in accordance with the terms of this Agreement.”

4. Agreement, Paragraph 2.0, DEFINITIONS, is amended to add 2.16, Professional Services, as follows:

“2.16 Professional Services:

Services, including but not limited to, consulting services, additional training and/or customizations described in an existing SOW, which Contractor may provide upon County’s request therefore in the form of Optional Work in accordance with Sub-paragraph 3.3, Optional Work.”

5. Agreement, Paragraph 2.0, DEFINITIONS, is amended to add 2.18, County Data, as follows:

“2.18 County Data

All of the County confidential information, data, records, and information of County to which Contractor has access, or otherwise provided to Contractor under this Agreement for use with the

Exchange.”

6. Agreement, Paragraph 2.0, DEFINITIONS, is amended to add 2.19, Interfaces, as follows:

“2.19 Interfaces

Either a computer program developed by, or licensed to, County or Contractor to (a) translate or convert data from a County or Contractor format into another format used at County as a standard format; or (b) translate or convert data in a format used by County or a third-party to a format supported at County or vice versa.”

7. Agreement, Paragraph 2.0, DEFINITIONS, is amended to add 2.20, Documentation, as follows:

“2.20 Documentation:

All of Contractor’s training course materials, system specifications and technical manuals, and all other user instructions regarding the capabilities, operation, and use of the Licensed Software, including, but not limited to, online help screens contained in the Licensed Software, existing as of the effective date and any revisions, supplements, or updates thereto as such resources are required for County’s use of the Licensed Products.”

8. Agreement, Paragraph 3.0, WORK, is amended to add Sub-Paragraph 3.3, Optional Work, as follow:

“3.3 OPTIONAL WORK

Upon County’s written request and mutual agreement pursuant to the terms of this Agreement and execution of the applicable Change Notice(s) in accordance with Sub-paragraph 8.1 (Change Notices and Amendments), Contractor shall provide Optional Work, including new software and Professional Services, in accordance with this Section at the applicable pricing terms set forth in Exhibit C (Fee Schedule).

### 3.3.1 New Software

Upon County's written request and mutual agreement by County and Contractor, Contractor shall provide to County new software as part of Optional Work using Pool Dollars, in accordance with an applicable Change Notice. Any enhancements and/or modifications to the Licensed Products resulting from new software shall be incorporated into, and become part of, the Licensed Products.

All new software, once accepted by County as provided under an SOW, shall become part of the Licensed Products, and shall be subject to the terms and conditions of this Agreement. Such new software, so long as provided to County pursuant to a Change Notice and SOW, shall not cause an increase to the County's reimbursement under this Agreement.

### 3.3.2 Professional Services

Upon County's written request and mutual agreement, Contractor shall provide to County Professional Services as part of Optional Work using Pool Dollars, including consulting services and/or additional training, in accordance with any applicable Change Notice. Specifically, County may from time to time, during the term of this Agreement, submit to Contractor for Contractor's mutual agreement written requests for Professional Services using Pool Dollars, including consulting services and/or additional training, for services not included in the Services and/or deliverables. County may request that Professional Services be provided on a (1) fixed fee basis, (2) not to exceed basis, (3) time and materials basis, or (4) a combination of the above. In response to County's request, Contractor shall submit to County for approval a scope of work describing the particular Professional Services and providing a response consistent with the payment method requested by County to provide such Professional Services, calculated based on the fixed hourly rate and other pricing terms set forth in Exhibit C – Fee Schedule or elsewhere in the Agreement. County and Contractor shall agree on the Change Notice developed using the scope of work, which shall at a minimum include the tasks and deliverables to be performed, acceptance tests, if any, as applicable, and the pricing for such Professional Services. Any enhancements and/or modifications to the Licensed Products resulting from Professional Services shall be

incorporated into, and become part of, the Licensed Products. Any Professional Services that are accepted by County shall become a part of the Services, and any products of Professional Services, once accepted by the County under an existing SOW, shall become part of the Licensed Products, and shall be subject to the terms and conditions of this Agreement. Such Professional Services, so long as provided to County under an existing SOW, shall not cause an increase in the subscription fees under this Agreement.

### 3.3.3 Interfaces

Upon County's written request and mutual agreement, Contractor shall provide to County Interfaces as Optional Work using Pool Dollars in accordance with any applicable Change Notice. County and Contractor shall agree on the Change Notice developed using a scope of work developed by the parties, which shall at a minimum include the tasks and deliverables to be performed, acceptance tests, if any, and the pricing for such Interface. Contractor shall be responsible for developing and delivering the Interface as mutually agreed in the SOW. Interfaces shall include but not be limited to Interfaces to third party software and hardware if and as mutually agreed in any SOW. Any Interfaces that are accepted and approved in writing by County under an SOW shall become a part of the Licensed Products, and shall be subject to the terms and conditions of this Agreement.

Contractor acknowledges and agrees that, subject to the Agreement, County may interface, integrate, and use the Licensed Products with other systems owned or licensed by or for County or a third party, so as to permit those systems to interoperate, whether by use of calls, exchange of data, link editing or otherwise. Contractor shall not obtain any ownership interest in the County's other systems merely because they were interfaced, integrated, or used in connection with the Licensed Products. ”

9. Agreement, Paragraph 4.0, TERM OF AGREEMENT, Subparagraphs 4.1 and 4.2 are deleted in their entirety and replaced as follows:

"4.1 The term of this Agreement shall commence on September 21, 2010, and shall expire on December 31, 2016 (Initial Term). Thereafter, at the County's sole discretion, the Agreement may renew for four additional one-year periods (each, a Renewal Term). The term of

this Agreement, which includes the Initial Term and any exercised Renewal Term may sooner terminate in accordance with the terms of this Agreement.

4.2 Each Renewal Term shall be exercised automatically by the County, unless County provides Contractor written notice of non-renewal at least ninety (90) days before the expiration of the applicable Renewal Term."

10. Agreement, Paragraph 5.0, AGREEMENT SUM, BILLING AND PAYMENT, Sub-Paragraph 5.5 is deleted in its entirety and replaced as follows:

"5.5 County's Reimbursement to Contractor from July 1, 2013 to December 31, 2020

5.5.1 Between July 1, 2013 through June 30, 2015, the maximum not to exceed cost to County for all services described hereunder is \$797,200. Of this amount, \$488,200 is the total of Contractor's annual fees (i.e., \$244,100 for FY 2013-2014 and \$244,100 for FY 2014-2015); and \$309,000 is the maximum for Contractor's completion of all work identified in Exhibit B, Section 8.8, Additional Post-Implementation Development, which will be billed at a rate of One Hundred and Ninety-Five Dollars (\$195) per hour, but shall not exceed \$309,000 for the completion of all the work described therein.

5.5.2 County's reimbursement to Contractor for period beginning July 1, 2015 through December 31, 2015 shall not exceed One Hundred Twenty Two Thousand and Fifty Dollars (\$122,050).

5.5.3 Between January 1, 2016 through December 31, 2020, the maximum not to exceed cost to County for all services described hereunder is \$3,542,535, including \$1,470,410 in Pool Dollars."

11. Agreement, Paragraph 8.0, STANDARD TERMS AND CONDITIONS, Sub-Paragraph 8.1, Amendments, is deleted in its entirety and replaced as follows:

**"8.1 CHANGE NOTICES AND AMENDMENTS**

8.1.1 For any change which affects the scope of work, term,

Agreement sum, payments, or any term or condition included under this Agreement, an Amendment shall be prepared by the County and then mutually agreed to and executed by the Contractor and by the Director or his or her designee.

8.1.2 The County's Board of Supervisors or Chief Executive Officer or designee may require the addition and/or change of certain terms and conditions in the Agreement during the term of this Agreement. The County reserves the right to add and/or change such provisions as required by the County's Board of Supervisors or Chief Executive Officer. To implement such changes, an Amendment to the Agreement shall be prepared by the County and then mutually agreed to and executed by the Contractor and by the Director or his or her designee.

8.1.3 The Director or his or her designee, may at his or her sole discretion, authorize actions related to any Renewal Term as defined in Paragraph 4.0, Term, and increases in the maximum obligation as defined in Paragraph 5.0, Agreement Sum, Billing and Payment. The Contractor agrees that extensions of time and increases to the maximum obligation shall not change any other term or condition of this Agreement during the period of such extensions unless mutually agreed to by the County and the Contractor.

8.1.4 The Director or his or her designee may require, at his or her sole discretion, the addition and/or change of certain terms and conditions in the Agreement to conform to changes in federal or state law or regulation or County policy, during the term of this Agreement. To implement such addition and/or change of certain terms and conditions, an Amendment to the Agreement shall be prepared by the County and then mutually agreed to and executed by the Contractor and by the Director or his or her designee.

8.1.5 For any change which is clerical or administrative in nature and does not affect any term or condition of this Agreement, a written change notice ("Change Notice") shall be prepared and executed by the Director or designee. For any change within the scope of an existing SOW which requires Contractor to incur any additional costs or expenses using Pool Dollars, a written Change Notice shall be prepared and executed by the Director or designee and Contractor. For any Optional Work requested by County, following mutual agreement on the Optional Work, or those as set forth in an

existing SOW, a Change Notice shall be prepared and executed by each of: (a) the Director or designee, and (b) Contractor's authorized representative(s). County is specifically authorized to execute Change Notices for expenditure of Pool Dollars for acquisition of Optional Work under the Agreement. Any requests for the expenditure of Pool Dollars must be approved in writing by the Director or designee."

12. Agreement, Paragraph 8.0, STANDARD TERMS AND CONDITIONS, Sub-Paragraph 8.26, Reserved, is deleted in its entirety and replaced as follows:

**"8.26 HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (HIPAA)**

8.26.1 The Contractor expressly acknowledges and agrees that the provision of services under this Agreement does not require or permit more than inadvertent access by the Contractor or any of its officers, employees, or agents, to any patient medical records/patient information.

8.26.2 The Contractor understands and agrees that neither it nor its officers, employees, or agents, are to take advantage of such inadvertent access to patient medical records/patient information for any purpose whatsoever.

8.26.3 Additionally, in the event of such inadvertent access, the Contractor and its officers, employees, and agents, shall maintain the confidentiality of any information obtained and shall notify Director that such access has been gained upon the first reasonable opportunity to do so. The Contractor agrees to provide appropriate training to its employees regarding the confidentiality of customer data."

13. Agreement, Paragraph 8.0, STANDARD TERMS AND CONDITIONS, Sub-Paragraph 8.49, Termination for Convenience, is deleted in its entirety and replaced as follows:

**"8.49 RESERVED."**

14. Agreement, 8.0, STANDARD TERMS AND CONDITIONS, is amended to add Sub-Paragraph 8.59, Consideration Of Hiring GAIN/GROW Program Participants, as follows:

## **“8.59 CONSIDERATION OF HIRING GAIN/GROW PARTICIPANTS**

8.59.1 Should the Contractor require additional or replacement personnel after the effective date of this Agreement, the Contractor shall, to the extent applicable, give consideration for any such employment openings to participants in the County’s Department of Public Social Services Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program who meet the Contractor’s minimum qualifications for the open position. For this purpose, consideration shall mean that the Contractor will interview qualified candidates. The County will refer GAIN/GROW participants by job category to the Contractor. Contractors shall report all job openings with job requirements to: [GAINGROW@dpss.lacounty.gov](mailto:GAINGROW@dpss.lacounty.gov) to obtain a list of qualified GAIN/GROW job candidates.

8.59.2 In the event that both laid-off County employees and GAIN/GROW participants are available for hiring, County employees shall be given first priority.”

15. Agreement, 8.0, STANDARD TERMS AND CONDITIONS, is amended to add Sub-Paragraph 8.60, Time Off For Voting, as follows:

### **“8.60 TIME OFF FOR VOTING**

The Contractor shall, to the extent applicable, notify its employees, and shall require each subcontractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than 10 days before every statewide election, every Contractor and subcontractors shall keep posted conspicuously at the place of work, if applicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000.”

16. Agreement, 8.0, STANDARD TERMS AND CONDITIONS, is amended to add Sub-Paragraph 8.61, Effect of Termination, as follows:

### **“8.61 EFFECT OF TERMINATION**

Upon expiration or termination of this Agreement, in whole or in part, or any Statement of Work, unless otherwise mutually agreed by Contractor and County in writing:

- (a) Contractor and County shall continue the performance of this Agreement to the extent not terminated.
- (b) Contractor shall cease to perform the services being terminated on the effective date and to the extent specified in such notice and provide to County all completed services and services in progress, as provided in the Agreement and any SOW, in a media reasonably requested by County.
- (c) Except for County's termination of the Agreement for breach by Contractor, County will pay to Contractor the applicable portion of all sums due to Contractor for services performed through the effective date of such expiration or termination.
- (d) Contractor shall return to County all monies paid by County, yet unearned by Contractor, including any unearned prepaid fees, if applicable under an SOW.
- (e) Expiration or termination of this Agreement for any reason will not release either party from any liabilities or obligations set forth in this Agreement which (i) the parties have expressly agreed in writing will survive any such expiration or termination, or (ii) by their nature would be intended to be applicable following any such expiration or termination.
- (f) In the case of expiration or termination of the Agreement, (i) all Statement(s) of Work that have not been completed shall be deemed terminated in accordance with this Sub-Paragraph 8.61 (Effect of Termination) as of the effective date of such termination.
- (g) Contractor understands and agrees that County has obligations that it cannot satisfy without use of the Licensed Products (which includes the Exchange) or an equivalent system. Therefore, Contractor agrees that in the event of any expiration or termination of this Agreement, Contractor shall use commercially reasonable efforts to cooperate with County in the transition of County to a new system, toward the end that there be no interruption of County's day to day operations due to the unavailability of the Licensed Products during such transition, as provided in Sub-Paragraph 8.62 (Termination Transition Services).

Upon termination or expiration of this Agreement, each party shall promptly return to the other party any and all Confidential Information, including County Data and work product that relate to that portion of the Agreement and services terminated or expired, except as provided in the Agreement.”

17. Agreement, 8.0, STANDARD TERMS AND CONDITIONS, is amended to add Sub-Paragraph 8.62, Termination Transition Services, as follows:

**“8.62 TERMINATION TRANSITION SERVICES**

8.62.1 For ninety (90) days prior to the expiration date of this Agreement, or the ninety (90) day period after notice of termination of this Agreement ("Transition Period"), Contractor shall assist the County in extracting and/or transitioning all County Data in the format determined by the County and Contractor, as mutually agreed in connection with Transition Services under 8.62.2. The Transition Period may be modified as agreed upon in writing by the parties in a Change Notice.

8.62.2 Upon the expiration or termination of this Agreement, County may request Contractor to provide services in the form of Optional Work to assist County to transition operations from Contractor to County or County's designated third party ("Transition Services") during the Transition Period. Upon County's request for Transition Services, County and Contractor agree to negotiate in good faith the scope of work and the price for such Transition Services. Contractor agrees that in the event that County terminates the Agreement for any material breach and for failure to cure by Contractor as provided in the Agreement, Contractor shall perform Transition Services at no cost to County during the Transition Period. Contractor shall provide County with all of the Transition Services as provided in this Sub-paragraph 8.62.2. The duty of Contractor to provide such Transition Services shall be conditioned on County continuing to comply with its obligations under the Agreement, including payment of all applicable fees. Contractor shall have no right to withhold or limit its performance or any of such Transition Services on the basis of any alleged breach of this Agreement by County, other than a failure by County to timely pay the amounts due and payable hereunder or any breach that has material adverse impact on Contractor's ability to provide such Transition Services. County and Contractor shall have the

right to seek specific performance of this Sub-paragraph 8.62.2 in any court of competent jurisdiction and County and Contractor hereby waive any defense that damages are an adequate remedy. Compliance with this Sub-paragraph 8.62.2 by either party shall not constitute a waiver or estoppel with regard to any rights or remedies available to the parties."

18. Agreement, 8.0, STANDARD TERMS AND CONDITIONS, is amended to add Sub-Paragraph 8.63, Continuous Product Support, as follows:

**“8.63 CONTINUOUS PRODUCT SUPPORT**

8.63.1 In the event that Contractor replaces any or all components of the Licensed Products (including the Exchange) with other software modules or components that improve and/or replace the functionality of a Licensed Product under an existing SOW (hereinafter “Replacement Product”) during the term of the Agreement in order to fulfill its obligations under the Agreement and to meet the requirements under any existing SOW, then the license granted under the Agreement shall be deemed to automatically include such Replacement Product at no additional cost to County. If required by County, Contractor shall provide the necessary training to County personnel to utilize the Replacement Product at no cost to County.

8.63.2 In the event any or all components of the Exchange and/or Licensed Product(s) are migrated to the Replacement Product as a result of an acquisition, sale, assignment, transfer or other change in control of Contractor, then any assignee or successor, by taking benefit (including, without limitation, acceptance of any payment under this Agreement), shall be deemed to have ratified this Agreement. All terms and conditions of this Agreement shall continue in full force and effect for the Replacement Product.

8.63.3 The following terms and conditions shall apply to a Replacement Product:

- (a) Contractor shall, as mutually agreed, implement the Replacement Product, convert and migrate all of the County Data from the then existing Licensed Products to the Replacement Product format to ensure production use of such Replacement Product;

- (b) Any prepaid fees for the then existing Licensed Product shall transfer in full force and effect for the balance of the Replacement Product's term (or equivalent service). If the prepaid amount is greater than the Replacement Product's maintenance and support fees for the same term, the credit balance shall be applied to future fees or returned to County;
- (c) Any and all modules offered separately and needed to match the Licensed Product's original level of functionality and system requirements of a Licensed Product in an existing SOW to the Replacement Product shall not affect the calculation of any Annual Fees unless mutually agreed in writing by County and Contractor;
- (d) Contractor shall provide to County the necessary training for purposes of learning the Replacement Product. Such training shall be provided as set forth in any SOW;
- (e) All license terms and conditions under the Agreement or an existing SOW shall remain as granted; and
- (f) The definition of the Exchange, including, but not limited to, Licensed Product(s) shall include the Replacement Product."

19. Agreement, 8.0, STANDARD TERMS AND CONDITIONS, is amended to add Sub-Paragraph 8.64, PHI and Other Sensitive Data, as follows:

**“8.64 PHI AND OTHER SENSITIVE DATA**

Notwithstanding anything to the contrary in the section titled HIPAA Privacy and Compliance in Exhibit A to the Agreement, unless GHX specifications for a Service include data fields specifically for this information, User shall take reasonable steps to avoid transmitting to GHX (i) any protected health information (“PHI”) as defined under the Health Insurance Portability and Accountability Act (“HIPAA”) or (ii) other sensitive or proprietary data.”

20. Agreement, Exhibit B, Statement of Work, is amended to add Exhibit B-1, attached hereto and incorporated herein by reference.

21. Agreement, Exhibit C-1, Fee Schedule, is deleted in its entirety and replaced with Exhibit C-2, attached hereto and incorporated herein by reference. All references to Exhibit C-1 in the Agreement shall be replaced by Exhibit C-2.
22. Agreement, Exhibit D, Contractor's Administration, is deleted in its entirety and replaced with Exhibit D-1, attached hereto and incorporated herein by reference. All references to Exhibit D in the Agreement shall be replaced by Exhibit D-1.
23. Agreement, Exhibit F, County's Administration, is deleted in its entirety and replaced with Exhibit F-1, attached hereto and incorporated herein by reference. All references to Exhibit F in the Agreement shall be replaced by Exhibit F-1.
24. Except for the changes set forth hereinabove, the Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by the County's Director of Health Services and Contractor has caused this Amendment to be executed on its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_

Mitchell H. Katz, M.D.  
Director of Health Services

CONTRACTOR

GLOBAL HEALTHCARE EXCHANGE, LLC

By \_\_\_\_\_

Rob Gillespie  
Chief Financial Officer

APPROVED AS TO FORM:  
MARY C. WICKHAM  
Interim County Counsel

By: \_\_\_\_\_

Jason Carnevale  
Deputy County Counsel